

# **BIG WATER MUNICIPAL CORPORATION**



## **FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2005**



**KEMPBURDICK**  
**KEMP BURDICK HINTON & HALL L.L.C.**  
**CPA'S & ADVISORS**

# BIG WATER MUNICIPAL CORPORATION

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**KEMP BURDICK**

**KEMP BURDICK HINTON & HALL L.C.**

**CPA'S & ADVISORS**

## **Compilation Report of Independent Certified Public Accountants**

To the Honorable Mayor and  
Town Council  
Big Water, Utah

We have compiled the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Water Municipal Corporation, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the Table of Contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis and the budgetary information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.  
December 21, 2005

**MEMBERS:**

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Big Water Municipal Corporation (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net assets) by \$300,281 at the close of the fiscal year.
- Total net assets decreased by \$3,768.
- Total revenues from all sources were \$178,180 and the total cost of all Town programs was \$181,948.
- Total revenue received in the General Fund was \$251,668 less than the final budget and expenditures were \$242,513 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$123,421 or 69% of total General Fund expenditures.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

#### **Reporting the Town as a Whole**

##### **The Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or jurisdiction, the availability of capital projects, and condition of the Town's assets to accurately assess the overall health of the Town.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, judicial, public works, parks and recreation, capital outlay and interest on long-term debt. Property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

## Reporting the Town's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. The Town's major fund uses the accounting approaches as explained below.

Governmental funds – All of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and on page 12.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$300,281 as of June 30, 2005 as shown on the following condensed statement of net assets.

### Statement of Net Assets

	6/30/2005	6/30/2004
Current and other assets	\$ 164,332	\$ 173,573
Capital assets	261,922	282,949
Total assets	426,254	456,522
Long-term obligations	109,419	137,000
Other liabilities	16,554	15,473
Total liabilities	125,973	152,473
Net assets:		
Invested in capital assets, net of related debt	138,172	137,749
Restricted	38,688	41,974
Unrestricted	123,421	124,326
Total net assets	\$ 300,281	\$ 304,049

## Governmental Activities

The cost of all Governmental activities this year was \$181,948. \$43,156 of this cost was paid for by those who directly benefited from the programs, \$40,836 was subsidized by grants received from other governmental organizations for operations and capital activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$83,992. General revenues, including taxes and investment earnings totaled \$94,188.

The Town's programs include: General Government, Public Safety, Judicial, Public Works - Streets, Parks and Recreation. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

### Changes in Net Assets

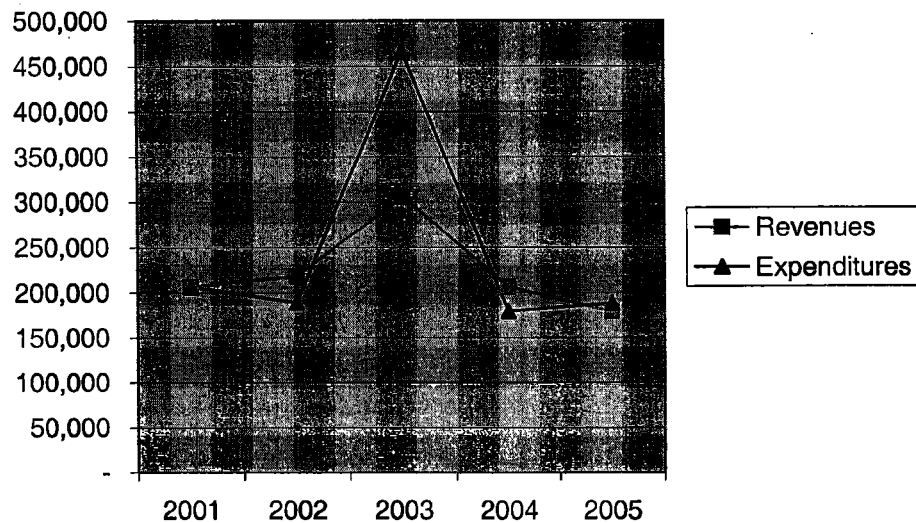
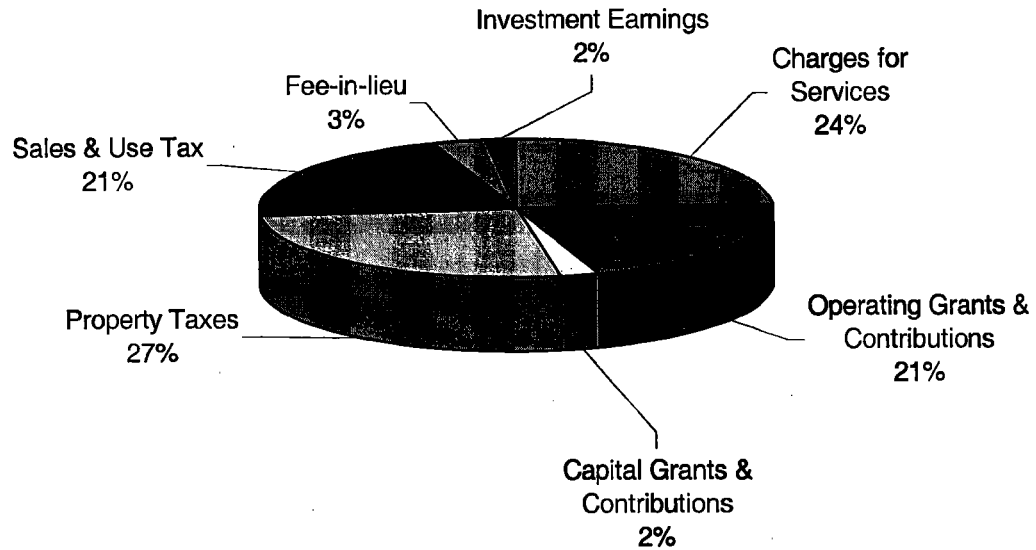
	<u>6/30/2005</u>	<u>6/30/2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 43,156	\$ 57,853
Operating grants	36,607	44,946
Capital grants and contributions	4,229	7,500
General revenues:		
Property taxes	46,922	53,073
Sales & Use	38,028	34,760
Fee-in-lieu	5,928	5,364
Unrestricted investment earnings	3,310	2,387
Total revenues	<u>178,180</u>	<u>205,883</u>
Expenses:		
General government	72,491	73,103
Public safety	68,286	80,079
Judicial	23,846	19,541
Public works/Streets	13,739	5,945
Parks and recreation	-	-
Interest on long-term debt	3,586	-
Total expenses	<u>181,948</u>	<u>178,668</u>
(Decrease)/Increase in net assets	<u>(3,768)</u>	<u>27,215</u>
Net assets, beginning	<u>304,049</u>	<u>276,834</u>
Net assets, ending	<u>\$ 300,281</u>	<u>\$ 304,049</u>

Total resources available during the year to finance governmental operations were \$482,229 consisting of Net assets at January 1, 2004 of \$304,049, program revenues of \$83,992 and General Revenues of \$94,188. Total Governmental Activities during the year were \$181,948; thus Governmental Net Assets were decreased by \$3,763 to \$300,281.



The following graphs provide a breakdown of revenues by source for all government activities, and a year-to-year comparison of revenue and expenditures.

### Revenue by Source - Governmental Activities



## **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$242,513 greater than actual expenditures. Actual revenues were less than the final budget by \$251,668 mainly due to intergovernmental revenues. Budget reclassifications were made during the year; however, the total budget amount was not affected by these changes.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the Town are those assets that are used in performance of Town functions. Capital Assets include land, buildings, and equipment. In accordance with GASB 34, the Town has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements. At the end of fiscal year 2005, net capital assets of the government activities totaled \$261,922. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### **Debt**

At year-end the Town had \$123,750 in governmental type debt. During the current fiscal year the City's total debt decreased by \$26,250. (See note 7 to the financial statements.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2005/2006, the Town Board and management estimated the budget for operating revenues and expenditures will decrease almost \$150,000 from the 2004/2005 budget. The reason for the decrease is due to a park grant and project that was budgeted for 2004/2005 but was not budgeted for again in 2005/2006.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Willy Marshall, Mayor of Big Water at P.O. Box 410127, Big Water, UT, 84741 or call 435-675-3760.

**BASIC FINANCIAL STATEMENTS**

**BIG WATER MUNICIPAL CORPORTAON****Statement of Net Assets****June 30, 2005**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 71,710
Receivables (net of allowance)	-
Due from other governments	11,190
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	81,432
Capital assets (net of accumulated depreciation)	
Land	10,000
Buildings	147,189
Improvements	63,971
Machinery and equipment	40,762
Total assets	<u>426,254</u>
<b>Liabilities</b>	
Accounts payable	-
Accrued liabilities	1,449
Interest payable	774
Noncurrent liabilities:	
Due within one year	14,331
Due in more than one year	109,419
Total liabilities	<u>125,973</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	138,172
Restricted for:	
Class C Road Funds	38,688
Unrestricted	123,421
Total Net Assets	<u><u>\$ 300,281</u></u>

See accompanying notes and accountants' report.

**BIG WATER MUNICIPAL CORPORAON**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total
Governmental activities:					
General government	\$ 72,491	\$ 11,946	\$ -	\$ 300	\$ (60,245) (60,245)
Public safety	68,286	-	407	3,929	(63,950) (63,950)
Judicial	23,846	31,210	-	-	7,364 7,364
Public Works/Streets	13,739	-	36,200	-	22,461 22,461
Parks and recreation	-	-	-	-	- -
Interest on long-term debt	3,586	-	-	-	(3,586) (3,586)
Total governmental activities	181,948	43,156	36,607	4,229	(97,956) (97,956)
General Revenues:					
Taxes:					
Property taxes					46,922 46,922
Sales & use tax					38,028 38,028
Fee-in-lieu					5,928 5,928
Unrestricted investment earnings					3,310 3,310
Total general revenues & transfers					94,188 94,188
Change in net assets					(3,768) (3,768)
Net assets - beginning					304,049 304,049
Net assets - ending					\$ 300,281 \$ 300,281

See accompanying notes and accountants' report

# BIG WATER MUNICIPAL CORPORATION

## Balance Sheet Governmental Funds June 30, 2005

	Governmental Fund Types <u>General Fund</u>	Total Governmental Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 71,710	\$ 71,710
Accounts receivable, net	-	-
Due from other governments	11,190	11,190
Restricted cash and cash equivalents	81,432	81,432
Total assets	<u>\$ 164,332</u>	<u>\$ 164,332</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ -
Accrued liabilities	1,449	1,449
Total liabilities	<u>1,449</u>	<u>1,449</u>
<b>Fund Balances:</b>		
Fund balances		
Reserved	39,462	39,462
Unreserved, designated for future years	20,000	20,000
Unreserved	103,421	103,421
Total fund balances	<u>162,883</u>	<u>162,883</u>
Total liabilities and fund balance	<u>\$ 164,332</u>	
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		261,922
Some liabilities, including interest payable are not due and payable in the current period and therefore are not reported in the funds.		(774)
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		<u>(123,750)</u>
Net assets of governmental units		<u>\$ 300,281</u>

See accompanying notes and accountants' report.

**BIG WATER MUNICIPAL CORPORATION**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General Fund
	Year Ended
	June 30, 2005
<b>Revenues</b>	
Property taxes - current	\$ 44,847
Property taxes - delinquent	2,075
Fees in lieu of property taxes	5,928
Sales and use taxes	38,028
Licenses and permits	4,969
Intergovernmental revenue	36,607
Interest income	3,310
Charges for services	11,056
Fines and forfeitures	31,210
Other revenues	150
Total revenues	178,180
<b>Expenditures</b>	
Current:	
General government	67,852
Public safety	55,987
Judicial	23,846
Public works/Streets	9,650
Parks and recreation	-
Debt Service:	
Principal	26,250
Interest	3,750
Capital outlay	-
Total expenditures	187,335
Excess (deficiency) of revenues over (under) expenditures	(9,155)
<b>Other Financing Sources (Uses)</b>	
Debt Proceeds	-
Total other financing sources and uses	-
Net change in fund balances	(9,155)
Fund balance - beginning of year	172,038
Fund balance - end of year	\$ 162,883

See accompanying notes and accountants' report.

**BIG WATER MUNICIPAL CORPORATION**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2005**

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Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental fund	\$ (9,155)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(21,027)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in accrued interest payable.	164
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	26,250
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Change in net assets of governmental activities	<u>\$ (3,768)</u>
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See accompanying notes and accountants' report.



**BIG WATER MUNICIPAL CORPORATION**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 1.           Summary of Significant Accounting Policies**

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**General**

The Big Water Municipal Corporation (Town) was incorporated in 1983. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: Public Safety, Public Works, Culture-Recreation, Public Improvements, and General Administrative Services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established principles. The more significant of the government's accounting policies are described below.

**Reporting Entity**

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the Town exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the Town. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity. The Accompanying financial statements include all activities of the Town.

**Government-Wide Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information about the Town, the primary government, as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# **BIG WATER MUNICIPAL CORPORATION**

## **Notes to the Financial Statements**

**June 30, 2005**

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### **Note 1. Summary of Significant Accounting Policies, Continued**

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#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means that the amounts can be reasonably determined within the current period. "Available" means that the amounts are collectible within the current period, or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, except for interest on long-term debt, which is recognized when due. Property taxes, other taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

#### **General Fund**

The General Fund is used to account for all financial resources applicable to the general operations of Town government which are not accounted for in other funds. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**BIG WATER MUNICIPAL CORPORATION**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 1.        Summary of Significant Accounting Policies, Continued**

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**Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Inventories**

The costs of governmental fund-type inventories are recorded as expenditures when purchased. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

**Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the governmental activity column in the government-wide statement of net assets. In accordance with GASB 34, the Town has opted not to retroactively report infrastructure assets. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 30 years; furniture and fixtures, 7 years; equipment, 5 years.

**Accrued Benefits**

Accumulated unpaid vacation and other employee benefit amounts are accrued as an expenditure at year end.

**Net Assets**

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors or grantors.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# **BIG WATER MUNICIPAL CORPORATION**

## **Notes to the Financial Statements**

**June 30, 2005**

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### **Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

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#### **Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 1,165
Depreciation expense	<u>(22,192)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (21,027)</u>

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### **NOTE 3. Stewardship, Compliance and Accountability**

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#### **Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets. Budget reclassifications were made during the year; however, the total budget amount was not affected by these changes.

The General Fund budget is prepared using the modified accrual basis of accounting.

#### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

**BIG WATER MUNICIPAL CORPORATION**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 3.      Stewardship, Compliance and Accountability, Continued**

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**Taxes**

Property taxes are collected by the Kane County Treasurer and remitted to the Town in two installments in December and March. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the Town. Taxable values are established by the County Assessor at 68% of the fair market value on primary residential property and 100% of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid. Accruals of uncollected current and prior year's property taxes are made based on subsequent receipts within sixty days of year end and are included in the amount due from other governments on the General Fund's balance sheet as applicable.

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**Note 4.      Deposits and Investments**

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As of June 30, 2005 a reconciliation of cash and cash equivalents is as follows:

Cash on hand	\$	132
State Bank of Southern Utah - Checking		14,678
Utah Public Treasurer's Investment Fund		138,332
		<hr/>
Total	\$	<u>153,142</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

# BIG WATER MUNICIPAL CORPORATION

## Notes to the Financial Statements

June 30, 2005

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### Note 4. Deposits and Investments, Continued

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#### Deposits

##### *Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2005, \$0 of the Town's bank balance of \$16,908 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**BIG WATER MUNICIPAL CORPORATION**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 4. Deposits and Investments, Continued**

As of June 30, 2005 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurer's Investment Fund	138,332	\$ 138,332	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 138,332</u>	<u>\$ 138,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2005 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	\$ 138,332	\$ -	\$ -	\$ -	\$ 138,332
Total Fair Value	<u>\$ 138,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,332</u>

**Note 5. Receivables**

As of June 30, 2005 the Town had no accounts receivable. Amounts due from other governments are for property taxes receivable collected within 60 days of year-end.

**BIG WATER MUNICIPAL CORPORATION**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 6. Capital Assets**

The following table summarizes the changes to the capital assets during the year ended June 30, 2005.

<b>Governmental Activities:</b>	<b>Balance June 30, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2005</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets, not being depreciated	10,000	-	-	10,000
<b>Capital assets, being depreciated:</b>				
Buildings	164,334	-	-	164,334
Improvements	80,524	-	-	80,524
Machinery & Equipment	90,287	1,165		91,452
Total capital assets, being depreciated	\$ 345,145	\$ 1,165	\$ -	\$ 346,310
Less accumulated depreciation for:				
Buildings	(12,931)	(4,214)		(17,145)
Improvements	(12,450)	(4,103)		(16,553)
Machinery & Equipment	(36,815)	(13,875)		(50,690)
Total accumulated depreciation	(62,196)	(22,192)	-	(84,388)
Total capital assets, being depreciated, net	282,949	(21,027)	-	261,922
Governmental activities capital assets, net	\$ 292,949	\$ (21,027)	\$ -	\$ 271,922

Depreciation expense was charged to the functions/programs of the Town as follows:

<b>Governmental Activities:</b>	
General government	\$ 4,639
Public safety	13,464
Public works - Streets	4,089
Total depreciation expense - governmental activities	\$ 22,192



**BIG WATER MUNICIPAL CORPORATION**  
**Notes to the Financial Statements**  
**June 30, 2005**

**Note 7. General Long-term Debt**

The following is a listing of notes outstanding as of June 30, 2005.

General Obligation Note due in annual interest installments ranging from \$400 to \$3,750 and annual principal payments ranging from \$13,000 to \$16,000, bearing interest at 2.5%, maturing April 1, 2014.

\$ 123,750

The following is a summary of changes in long-term debt for the year ended June 30, 2005.

	Balance 6/30/2004	Additions	Retirements	Balance 6/30/2005	Current Portion
General Obligation Note	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 26,250</u>	<u>\$ 123,750</u>	<u>\$ 14,331</u>

Debt service requirements to maturity are as follows:

Years ending June 30:	Principal	Interest	Total
2006	\$ 14,331	\$ 3,094	\$ 17,425
2007	14,340	2,735	17,075
2008	15,348	2,377	17,725
2009	15,357	1,993	17,350
2010	15,366	1,609	16,975
2011-2014	49,008	2,447	51,455
Total	<u>\$ 123,750</u>	<u>\$ 14,255</u>	<u>\$ 138,005</u>

Total interest expense during fiscal year 2005 was \$3,750.

# **BIG WATER MUNICIPAL CORPORATION**

## **Notes to the Financial Statements**

**June 30, 2005**

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### **Note 8. Equity Classifications**

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Equity is classified in the government-wide statements as net assets and is displayed in three components:

- a) Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- b) Restricted net assets – consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reservations and designations are used to indicate that portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2005 all reservations are for Class C Road funds.

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### **Note 9. Defined Benefit Pension Plan**

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The Town has three full-time employees; however, the Town has elected to not participate in the Utah State-Wide Local Government Retirement Systems.

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### **Note 10. Risk Management**

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The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance for general liability, auto liability, employee dishonesty, and worker's compensation through the Utah Local Governments Trust.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BIG WATER MUNICIPAL CORPORATION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**General Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable/ (Unfavorable)
<b>Revenues</b>				
Property taxes - current	\$ 32,000	\$ 32,000	\$ 44,847	\$ 12,847
Property taxes - delinquent	7,000	7,000	2,075	(4,925)
Fees in lieu of property taxes	4,000	4,000	5,928	1,928
Sales and use taxes	32,000	32,000	38,028	6,028
Licenses and permits	4,900	4,900	4,969	69
Intergovernmental revenue	265,000	265,000	36,607	(228,393)
Interest income	1,800	1,800	3,310	1,510
Charges for services	12,648	12,648	11,056	(1,592)
Fines and forfeitures	70,000	70,000	31,210	(38,790)
Other revenues	500	500	150	(350)
Total revenues	<u>429,848</u>	<u>429,848</u>	<u>178,180</u>	<u>(251,668)</u>
<b>Expenditures</b>				
Current:				
General government	70,398	69,398	67,352	2,046
Public safety	68,060	71,060	49,170	21,890
Fire Protection	30,000	30,000	-	30,000
Judicial	26,250	24,250	23,846	404
Building inspection	7,340	7,340	6,817	523
Public works/Streets	15,000	15,000	9,650	5,350
Sewer	30,000	30,000	-	30,000
Parks and recreation	150,000	150,000	-	150,000
Emergency medical services	800	800	-	800
Non-departmental	2,000	2,000	500	1,500
Debt service:				
Principal	26,250	26,250	26,250	-
Interest	3,750	3,750	3,750	-
Capital outlay	-	-	-	-
Total expenditures	<u>429,848</u>	<u>429,848</u>	<u>187,335</u>	<u>242,513</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(9,155)	(9,155)
<b>Other Financing Sources (Uses)</b>				
Debt Proceeds	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	(9,155)	(9,155)
Fund balance - beginning of year	<u>172,038</u>	<u>172,038</u>	<u>172,038</u>	-
Fund balance - end of year	<u>\$ 172,038</u>	<u>\$ 172,038</u>	<u>\$ 162,883</u>	<u>\$ (9,155)</u>

See accountants' report.

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